

Approved June 11, 1991

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Senator August "Gus" Bogina, Chairperson at 1:15 p.m. on April 13, 1991, in Room 123-S of the Capitol.

All members were present except:
Senator Gaines, who was excused

Committee staff present:

Norman Furse, Gordon Self, Revisors' Office
Diane Duffy, Leah Robinson, Kansas Legislative Research Department
Judy Bromich, Administrative Assistant
Ronda Miller, Committee Secretary

Conferees appearing before the committee:
Sally Thompson, State Treasurer

HB 2614 - Authorization of fees for municipal bond registration or certification

Sally Thompson testified before the Committee in support of HB 2614 and reviewed her written testimony (Attachment 1). Ms. Thompson noted that bonds must be manually signed by the state treasurer and that she will sign approximately 60,000 this year. Fees collected for registration or certification of municipal bonds will approximate \$15,000 to \$20,000 annually and will allow for the purchase of an auto pen signing machine. She said that it is her intent to implement a policy of charging fees for services to persons using the services.

Senator Feleciano moved, Senator Winter seconded, that HB 2614 be recommended favorable for passage. The motion carried on a roll call vote.

INTRODUCTION OF BILLS

Senator Brady moved, Senator Allen seconded, the introduction of bill draft 1 RS 1620 (as requested by Senator Moran) - an act concerning school districts; relating to the taxable income component of district wealth for purposes of the school district equalization act; amending K.S.A. 1990 Supp. 72-7041, as amended by section 2 of the 1991 Senate Bill No. 26, and repealing the existing section. The motion carried.

Senator Allen moved, Senator Doyen seconded, the introduction of bill draft 1 RS 1621 (as requested by Senator Montgomery) - an act concerning school districts; relating to the financing thereof; affecting the taxable income component of district wealth; revising the definition of district wealth; amending K.S.A. 1990 Supp. 72-7041, as amended by section 2 of 1991 Senate Bill No. 26, and 72-7042, as amended by section 3 of 1991 Senate Bill No. 26, and repealing the existing sections. The motion carried.

It was requested by Senator Allen that a bill be introduced to make the Secretary of Agriculture a member of the KTEC board. It was so moved by Senator Allen and seconded by Senator Kerr. The motion carried.

HB 2433 - Concerning KPERS; relating to conflict resolution

The Chairman noted that a motion was on the table to grandfather in those who have an existing contract as of January 1, 1991. He suggested that the motion be conceptual so that legal staff could incorporate legislative intent in the bill. Senators Harder and Doyen agreed, and the motion carried.

The Chairman called to the Committee's attention a problem with the ending date for the "window" of opportunity, noting that the effective date for

CONTINUATION SHEET

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teacher retirement is July 1. Senator Doyen moved, Senator Rock seconded, the HB 2433 be amended by extending the ending date to July 15, 1992. The motion carried.

Senator Brady moved, Senator Feleciano seconded, that HB 2433 be amended by providing a 3% COLA for retirees. In answer to a question, Senator Brady noted that the cost to the general fund would be \$3.1 million in FY94. There was lengthy discussion about those retirees who receive minimal retirement pay. Senator Salisbury suggested trying to adjust the inequity rather than applying 3% across the board. Senator Brady offered a substitute motion which was seconded by Senator Feleciano to amend HB 2433 to include a 1.5% COLA for retirees and \$15. per month for those who retired before 1977. Senator Kerr indicated that he had made cuts in other agency budgets (i.e., Winfield State Hospital) without assuming there was an additional \$3. million available to reappropriate. He stated that he thought the Committee should prioritize the use of this \$3. million. The substitute motion carried.

It was moved by Senator Doyen and seconded by Senator Harder that HB 2433 as amended be recommended favorable for passage. The motion carried on a roll call vote.

SB 395 - Concerning state officers and employees; relating to salaries and compensation

The Chairman reminded members that the motion to recommend SB 395 favorable for passage failed in the April 12 meeting. Senator Parrish indicated that, in the interest of time, she would be willing to delete the COLA from the bill with the intention of revisiting it later if there is additional money. Senator Allen moved, Senator Salisbury seconded, that SB 395 be amended by deleting the cost of living adjustment. The motion carried.

There was discussion regarding including longevity in the pay plan for unclassified service.

Senator Feleciano moved, Senator Salisbury seconded, that SB 395 as amended be recommended favorable for passage. The motion carried on a roll call vote.

The Chairman adjourned the meeting at 1:52 p.m.



STATE OF KANSAS

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Testimony on HB 2614
before the Senate Committee on Ways and Means
by
State Treasurer Sally Thompson
Saturday, April 13, 1991

Mr. Chairman and members of the Committee. I appreciate the opportunity to discuss HB 2614 which would authorize fees for municipal bond registration and certification.

As you know, all bonds issued by the State or a municipality of the State must be registered by the State Treasurer (K.S.A. 10-601). This process includes the submission of the transcript to an Assistant Attorney General for review and approval; approval of the printing and use of the Seal; signing, dating and stamping each individual bond document (certification); and the updating of files regarding each issue.

In addition to this registration and certification process, the State Treasurer, among others, may act as registrar and paying agent. These last two functions generate income to the State.

HB 2614 would allow the recouping of costs associated with the statutory registration and certification process.

Two basic issues are involved in HB 2614:

1) Should the State be compensated for services performed for local municipalities?

Fees for services is not a new concept. Statutory fees were previously provided for bond registration (10-604 repealed in 1983). Those wishing to hunt or to drive pay a licensing fee; a bond registration fee is merely a similar fee which becomes a part

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Attachment 1

of the cost of issuing bonds. Even the SEC has an established fee for issues over \$2,000,000.

Charging a fee allocates the cost of state government to those who use those services. Consequently, the residents of Overland Park will not be subsidizing the bond registration costs of the airport authority in Wichita with sales and income taxes.

2) Should individual agency budget costs be offset against the fees it collects?

The segregation of these fees and costs provides accountability not provided in a general fund revenue. The segregation provides information regarding the net cost of a service in order for informed decisions to be made as to what services and related fees should be provided by and paid to the State.

These philosophical issues led to the proposed bill. HB 2614 provides a flat registration fee of a maximum of \$30 for every issue and \$.30 per bond in those instances when the State Treasurer's office does not act as registrar and paying agent. As an example, the total cost of issuance on a \$4 to \$5 million issue is usually estimated at 10%, or \$400,000 to \$500,000. The registration fees proposed by this House Bill will add \$400 to \$600 to the issuance cost in the illustration given.

There is approximately \$6.0 Billion of outstanding bond principal registered in the State. Had these fees been in effect, the Treasurer's office would have generated \$100,000 to \$150,000 on these outstanding issues.

Based on projected estimates of issues for FY 1992, these fees would generate about \$13,500. We are not talking about windfall profits; we are simply talking about paying for services rendered.

I stand ready to answer any questions the committee may have.